



# Activity Review

## North Carolina State Board of Certified Public Accountant Examiners

1101 Oberlin Road, Suite 104, Post Office Box 12827, Raleigh, NC 27605-2827 (919) 733-4222 No. 2 2002

### Annual Certificate Renewal Checklist

On February 18, 2002, the Board mailed certificate renewal forms to its licensees. By reading the instructions enclosed with the renewal form and by following the checklist below, you can ensure that your completed renewal form is received by the Board prior to July 1, 2002.

#### **Does the Board have your correct mailing address and telephone number?**

Pursuant to 21 NCAC 8J .0107, all certificate holders must notify the Board in writing (via fax, e-mail, or postal service) within 30 days of any change in address, phone number, or business location.

For your convenience, a "Notice of Address Change" is printed on the back page of each issue of the *Activity Review*.

#### **Did you follow the renewal form instructions and properly complete each section of the form?**

Usually, renewal forms can be processed without any problem. However, because the renewal form is considered a legal document, the Board staff cannot insert missing information, correct inaccurate information, or process a form that has not been signed by the licensee. Consequently, the form must be returned to you for correction or completion.

#### **Did you accurately compute and report your CPE hours?**

Active certificate holders who were licensed prior to March 31, 2001, must

have completed at least 40 hours of CPE in 2001 to meet the renewal requirement.

Certificate holders who were licensed between April 1 and June 30, 2001, must have completed at least 30 hours of CPE; certificate holders licensed between July 1 and September 30, 2001, must have completed at least 20 hours of CPE; and certificate holders licensed between October 1 and December 31, 2001, must have completed at least 10 hours of CPE prior to December 31, 2001.

Certificate holders licensed after January 1, 2002, are not required to report any CPE on this renewal form; however, they are required to earn CPE credits in 2002 to be reported on the 2003 renewal form.

Licensees are no longer required to list the details—such as the date, course name, and course sponsor—of the courses attended to satisfy the CPE requirement.

Instead, licensees affirm their CPE compliance by marking the appropriate box in Section II, "Continuing Professional Education (CPE) Compliance Information," and then tally their CPE credit hours in Section III, "Report of CPE Credit Hours."

Licensees should retain documentation of their participation in CPE courses for at least four years after the end of the license year.

#### **Renewals**

*continued on page 4*

### Writers and Reviewers Needed for Computerized CPA Exam

**NOTE:** The following article is published as a service to the American Institute of CPAs.

The Uniform CPA Examination is undergoing the process of conversion to a computer-based test, facilitating the revision of the examination's content and assessment of skills to better reflect changes in the accounting profession.

One of these revisions is the inclusion of simulations, or case-based problems, in the examination.

Simulations will help assess a CPA candidate's knowledge, skills,

#### **Exam**

*continued on page 6*

[www.state.nc.us/cpabd](http://www.state.nc.us/cpabd)

### Inside this issue...

Board Meetings .....	3
Certificates Issued .....	4
Disciplinary Actions .....	2, 5
Electronic Filing .....	3
GAO Independence Rules .....	7
Inactive/Retired .....	6
IRS Practitioner Hotline .....	5
Notice of Address Change .....	8
Reinstatements .....	7
Reporting Judgments .....	7

# Disciplinary Actions

Clara Jean Pinkney, #17752  
Winston-Salem, NC 12/18/01

*THIS CAUSE*, coming before the Board at its offices at 1101 Oberlin Road, Raleigh, Wake County, North Carolina, with a quorum present. Pursuant to NCGS 150B-41 and 150B-22, the Board and Respondent stipulate the following Findings:

1. Respondent is the holder of North Carolina certificate number 17752 as a Certified Public Accountant.
2. In November of 1998, Respondent purchased office furniture from Office Furniture Warehouse (OFW) for her CPA firm office and she paid for said furniture with a check dated December 4, 1998, to be drawn upon her CPA firm bank account. Respondent contends, but OFW denies, that OFW agreed not to deposit said check until December 6, 1998, in anticipation of her receipt, by that date, of funds owed to her by a client.
3. During the same period of time Respondent attempted to pay her firm's renewal fee with a check for sixty dollars (\$60.00) drawn upon the same bank account. That check was returned to the Board by the bank for insufficient funds. Respondent subsequently paid the renewal with a valid check.
4. OFW denies that Respondent made representations regarding inadequate funds to cash the check and OFW delivered the furniture to Respondent and deposited the check before December 6, 1998. The check was returned by the bank for insufficient funds. Since OFW lacked the "security interest" required by law, it could not repossess the furniture.
5. In January of 1999, Respondent signed a Confession of Judgment and promissory note to pay \$40,000.00 to OFW.
6. Respondent only made one payment on the promissory note.
7. When Respondent failed to make other payments on the promissory note,

OFW executed upon the Confession of Judgment and had the Sheriff's Department pick up the furniture and other property to be sold at auction to pay the debt.

8. Respondent, subsequently, filed Chapter 13 bankruptcy. As a result, the Sheriff's Department returned all property to Respondent as required pursuant to the bankrupts' plan of reorganization.
9. The Chapter 13 bankruptcy was converted to a Chapter 7 bankruptcy. Subsequently, Respondent has individually filed a Chapter 13 bankruptcy.
10. OFW petitioned the bankruptcy court to have the monies owed set aside as a non-dischargeable debt in the bankruptcy. The grounds asserted for non-dischargeability were fraud.
11. The Bankruptcy Court held that the statutory requisites (including fraud) for non-dischargeability applied to Respondent's debt to OFW and thus entered a Consent Order ordering Respondent to make four (4) payments in the amount of \$5,000.00 each to OFW and specified the dates on which these payments were due.
12. Respondent made the first payment by the specified date, but Respondent did not make the second payment until the payment was about two weeks late and until after the Board had made an inquiry regarding the status of Respondent's payment.
13. Respondent never made the third payment that was due to be paid on December 30, 2000. However, the Bankruptcy was converted back to a Chapter 13 proceeding, and Respondent has subsequently consented to a Chapter 13 Bankruptcy Plan providing new payment terms.
14. Respondent contends that she did not intentionally violate any accountancy laws or rules.
15. Respondent wishes to resolve this matter by consent and agrees that the Board staff and counsel may discuss

this Order with the Board *ex parte*, whether or not the Board accepts this Order as written.

*BASED UPON THE FOREGOING*, the Board makes the following Conclusions of Law:

1. Respondent is subject to the provisions of Chapter 93 of the North Carolina General Statutes (NCGS) and Title 21, Chapter 8 of the North Carolina Administrative Code (NCAC), including the Rules of Professional Ethics and Conduct promulgated and adopted therein by the Board.
2. Respondent's actions as set out above constitute violations of NCGS 93-12(9)e and 21 NCAC 8N .0201, .0202(a), .0203(a), and .0203(b).

*BASED ON THE FOREGOING* and in lieu of further proceedings under 21 NCAC Chapter 8C, the Board and Respondent agree to the following Order:

1. Respondent's license shall be suspended for one (1) year beginning on February 21, 2002.
2. If Respondent fails to comply with terms of this Order or any Bankruptcy Plan or Order, Respondent's license shall be permanently revoked.
3. If Respondent returns her suspended certificate within fifteen (15) days of the effective date of the suspension, Respondent can, after at least one (1) year, apply to return her certificate to active status by submission and approval of a reissuance application which includes:
  - a. Application form,
  - b. Payment of the application fee,
  - c. Three moral character affidavits, and
  - d. Forty hours of CPE in the 12 months preceding the application including an eight-hour accountancy law course pursuant to 21 NCAC 8F .0504.
4. If Respondent returns her suspended certificate in excess of fifteen (15) days of the effective date of the suspension, Respondent can, after one (1) year plus the number of days that her certificate was

late in being returned to the Board office, apply to return her certificate to active status by submission and approval of a reinstatement application which includes:

- a. Application form (which includes statements regarding use of title during forfeiture),
- b. Payment of the application fee,
- c. Three moral character affidavits (on forms provided by Board),
- d. Forty hours of CPE in the 12 months preceding the application including an eight-hour accountancy law course pursuant to 21 NCAC 8F .0504.
- e. A Consent Order requiring payment of at least \$100.00 in administrative costs.

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J. Derek Barnes, #18066  
Fuquay-Varina, NC 12/18/01

*THIS CAUSE*, coming before the Board at its offices at 1101 Oberlin Road, Raleigh, Wake County, North Carolina, with a quorum present. Pursuant to NCGS 150B-41 and 150B-22, the Board and Respondent stipulate the following Findings:

1. Respondent was the holder of North Carolina certificate number 18066 as a Certified Public Accountant.
2. On April 23, 2001, the Board suspended Respondent's certificate for failure to timely obtain a SQR, and ordered that Respondent return his CPA certificate within fifteen (15) days of receipt of the Board's Order. The Order was effectively served upon Respondent by Certified/Return Receipt Request mail on April 30, 2001.
3. Respondent failed to return his suspended certificate to the Board within fifteen (15) days of his receipt of the Board's April 23, 2001, Order.
4. Respondent and Respondent's firm continued to hold out Respondent and Respondent's firm to the public as a licensed CPA and as a registered CPA firm after Respondent was served with the Board's April 23, 2001, Order.
5. Respondent wishes to resolve this matter by consent and agrees that the Board staff and counsel may discuss this Order with the Board *ex parte*, whether or not the Board accepts this Order as written.

*BASED UPON THE FOREGOING*, the Board makes the following Conclusions of Law:

1. Respondent is subject to the provisions of Chapter 93 of the North Carolina General Statutes (NCGS) and Title 21, Chapter 8 of the North Carolina Administrative Code (NCAC), including the Rules of Professional Ethics and Conduct promulgated and adopted therein by the Board.
2. Respondent's failure to timely return his suspended certificate is a violation of NCGS 93-12(9)e and 21 NCAC 8N .0101(d).
3. Respondent's continued use of the CPA title (individually and through his firm) after service of the Board's Order of suspension is a violation of NCGS 93-3 and 93-4.

*BASED ON THE FOREGOING* and in lieu of further proceedings under 21 NCAC Chapter 8C, the Board and Respondent agree to the following Order:

1. Respondent shall pay a one thousand dollar (\$1,000.00) civil penalty to be remitted to the Board on or before March 1, 2002.
2. Respondent shall reimburse the Board two hundred fifty dollars (\$250.00) in administrative costs incurred in the costs of this investigation. Said administrative costs shall be remitted with this signed Consent Order.
3. Respondent and Respondent's firm shall immediately cease and desist from any further use or reference to the CPA title until such time as Respondent's license has been reinstated.
4. Respondent shall return his suspended certificate or an Affidavit of Lost Certificate to the Board with this signed Consent Order.
5. Respondent stipulates that if the Board determines that Respondent either directly or through his firm has hereinafter failed to comply with the terms of the April 23, 2001, Order or the terms of this Consent Order, Respondent's Certified Public Accountant certificate may be permanently revoked upon Respondent's subsequent failure to comply with an applicable Order to Show Cause.

## Board Meetings

Friday, March 22  
Thursday, April 18  
Friday, May 17  
Monday, June 24  
Monday, July 22  
Monday, August 19  
Monday, September 23  
Friday, October 18  
Monday, November 18  
Tuesday, December 17

## NCDOR Encourages Electronic Filing

The North Carolina Department of Revenue (NC DOR) is encouraging North Carolina taxpayers to file their state and federal individual income tax returns electronically — a step that will help them get their tax refunds faster.

In the nine years North Carolina has participated in the Federal/State Electronic Filing Program, the State has consistently ranked near the top nationally in the number individual income tax returns filed electronically.

Last year in North Carolina, more than one million individual income tax returns were filed electronically and almost five million have been filed since the program began.

Typically, electronically-filed returns requesting a refund are processed within four weeks after the NC DOR receives them — less time than it takes using a traditional paper return.

With electronic filing, taxpayers who owe the state money can also file their returns early and wait until the due date to pay the amount they owe.

For more information about electronic filing, taxpayers should check the NC DOR web site ([www.dor.state.nc.us](http://www.dor.state.nc.us)) for a list of approved software developers and links to their web sites.



## Renewals from front

### Did you enclose the \$50.00 renewal fee with your form?

You may pay the annual renewal fee by check (made payable to the NC State Board of CPA Examiners) or you may pay the fee using your Visa or MasterCard—instructions for paying the renewal fee by credit card are included with the renewal form.

The Board cannot cash a check which is made payable to another entity, such as the NCACPA. Therefore, the accompanying renewal form cannot be processed because it is incomplete.

If a check fails to clear the bank or if a Visa or MasterCard charge is not approved by the issuing financial institu-

tion, the renewal form is considered incomplete and will be returned to you

### Did you use the business reply envelope to file your renewal form?

The Board includes a business reply envelope with each license renewal. Using the business reply envelope not only saves you money, but also reduces the chance that your renewal will get lost in the mail.

Licensees who do not submit a properly completed renewal form and the renewal fee of \$50.00 prior to July 1, 2002, will receive a Letter of Demand from the Board.

Failure to submit the completed forms within 30 days of the mailing of the Letter of Demand will result in an automatic forfeiture of the licensee's certificate.

Upon forfeiture, the individual is no longer considered a CPA; he or she may not use the CPA title; and he or she must return the actual CPA certificate to the Board within fifteen (15) days.

If you do not receive a renewal form by April 15, 2002, please contact Alice G. Steckenrider by telephone at (919) 733-1422 or via e-mail ([alicegst@bellsouth.net](mailto:alicegst@bellsouth.net)) so a duplicate form can be mailed or faxed to you.

If you have questions about the renewal process or form, please contact Buck Winslow, Licensing Manager, by telephone at (919) 733-1421 or via e-mail ([buckwins@bellsouth.net](mailto:buckwins@bellsouth.net)) for clarification or explanation.

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[www.state.nc.us/cpabd](http://www.state.nc.us/cpabd)

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## Certificates Issued

The following applications for certification were approved by the Board at its January 22, 2002, meeting:

Patricia Alexandra Baird  
David Phillip Baldwin  
Jenny Ann Bem  
Lee-Ashley Jernigan Bonfield  
Elizabeth A. Brown  
Helen Rachel Buck  
Rodney C. Bullock  
Michael Harold Butler  
John Troy Carpenter  
Jamison Allen Carson  
Thomas Nelson Chamberlin  
Elaine Suzanne Cheng  
Susan Lee Chesson  
Rudolph H. Clark, Jr.  
Dale Alan Davies  
Richard Edward Davis  
Lawrence Wayne Dawson  
Heather Ashley Dills  
Christine Clearman Dodson  
Lisa Palmer Edwards  
Elizabeth Ailshie Feit  
Michelle Marie Fisher  
Curt William Fochtman  
John Carl Fogle, III  
Cynthia Louise Fritz  
Elizabeth Haney Funderburk

Donna M. Ganong  
Xiang Gao  
Shellie Lynn Garay  
Graem Paul Gardner  
Ronald Richard Gontarchick  
Karen I. Gorman  
Jeffery Lee Haines  
Joanne R. Handyside  
Thomas Hansen  
Katherine Jane Harbold  
Gregory Jason Hicks  
Jennifer Marie Holmes  
Katrin Johanna Hull  
David Franklyn Hummel  
Judith Ann Johnson-Cohen  
Kelly Shuffler Jones  
Kimberly M. Kicklighter  
Christine Lawrence  
Marsha Moore Lederer  
Donald Bruce Mayer  
Magan Denise McCrary  
Dale Britt Mendoza  
David Robert Moser  
George Walter Navarro  
Gregory Wayne Patton  
Emily VanDusen Piacentino

Elizabeth Woodard Pollard  
Kenneth Marc Postal  
Wanda Wilkes Pritchett  
Christina Maria Raftelis  
Michelle Lynn Rhinehart  
Loreilie Ray Rhyne  
Jaime Lynn Roberts  
Harris Cameron Robinson  
Mary Kate McDowell Rollings  
Gerald Michael Schuetz  
Kenneth Lawrence Schwartz  
Aaron James Seres  
Carrie McClendon Sheldon  
Blake Griffin Shotwell  
Kimberly Williams Skinner  
Sharon Catherine Sluss  
Barbara Lynne Smith  
William Shawn Smith  
Kelly Kathleen Springer  
Laura Benford Studdard  
Kristina Berry Sutton  
Patricia Ann Thomas  
Minh Truong  
Michael Patrick Webster  
Jennifer Lee Wildman

# Disciplinary Actions

Joseph Earl Jenkins, #20349  
Greensboro, NC 01/22/02

*THIS CAUSE*, coming before the Board at its offices at 1101 Oberlin Road, Raleigh, Wake County, North Carolina, with a quorum present. Pursuant to NCGS 150B-41 and 150B-22, the Board and Respondent stipulate the following Findings:

1. Respondent is the holder of North Carolina certificate number 20349 as a Certified Public Accountant.
2. In February of 2001, a Guilford County Grand Jury found that there was cause for and issued a Bill of Indictment against Respondent for "unlawfully, willfully and feloniously" embezzling funds, in the amount of \$89,551.72, belonging to Marconi Commerce Systems, Inc. (Exhibit 1)
3. In August of 2001 pursuant to a negotiated plea arrangement, Respondent pled guilty to the misdemeanor of soliciting to commit embezzlement. (Exhibit 2)
4. Although Respondent requested, in March of 2001, that the Board place his certificate on inactive status, he failed to inform the Board of his indictment for embezzlement.
5. Respondent wishes to resolve this matter by consent and agrees that the Board staff and counsel may discuss this Order with the Board *ex parte*, whether or not the Board accepts this Order as written.

*BASED UPON THE FOREGOING*, the Board makes the following Conclusions of Law:

1. Respondent is subject to the provisions of Chapter 93 of the North Carolina General Statutes (NCGS) and Title 21, Chapter 8 of the North Carolina Administrative Code (NCAC), including the Rules of Professional Ethics and Conduct promulgated and adopted therein by the Board.
2. Respondent's actions as set out above constitute violations of NCGS 93-12(9)b and e and 21 NCAC 8N .0201, 8N .0202(a), and 8N .0203(b)(2).

*BASED ON THE FOREGOING* and in lieu of further proceedings under 21 NCAC Chapter 8C, the Board and Respondent agree to the following Order:

1. The Certified Public Accountant certificate issued to Respondent, Joseph Earl Jenkins, is hereby permanently revoked.

*NOTE: To obtain copies of the Exhibits referenced in this Consent Order, please contact Robert N. Brooks, the Board's Executive Director, at (919) 733-4222.*

James Robert Moody, #22094  
Birmingham, AL 1/22/02

*THIS CAUSE*, coming before the Board at its offices at 1101 Oberlin Road, Raleigh, Wake County, North Carolina, with a quorum present. Pursuant to NCGS 150B-41 and 150B-22, the Board and Respondent stipulate the following Findings:

1. Respondent is the holder of North Carolina certificate number 22094 as a Certified Public Accountant.
2. As a result of a November 2, 1999, public hearing, the Alabama State Board of Public Accountancy (Alabama Board) Order issued an Order on November 19, 1999, revoking Respondent's certificate and permit to practice for various violations arising out of and relating to his payment of kickbacks for five (5) years to the Mayor of a Municipal-Audit client (Attached hereto as Attachment 1 and adopted by reference as if set out fully herein).
3. On December 15, 1999, Respondent appealed the Alabama Board's Order.
4. On September 25, 2001, Circuit Judge Eugene Reese of the Circuit Court of Montgomery County, Alabama, issued a Final Order affirming the Alabama Board's Order revoking Respondent's certificate and permit to practice (Attachment 2).
5. Respondent wishes to resolve this matter by consent and agrees that the

Board staff and counsel may discuss this Order with the Board *ex parte*, whether or not the Board accepts this Order as written.

*BASED UPON THE FOREGOING*, the Board makes the following Conclusions of Law:

1. Respondent is subject to the provisions of Chapter 93 of the North Carolina General Statutes (NCGS) and Title 21, Chapter 8 of the North Carolina Administrative Code (NCAC), including the Rules of Professional Ethics and Conduct promulgated and adopted therein by the Board.
2. Respondent's actions as set out above constitute violations of NCGS 93-12(9)d and e and 21 NCAC 8N .0103, 8N .0201, 8N .0202(a), 8N .0202(b)(2), 8N .0203, 8N .0204, 8N .0303, 8N .0402, and 8N .0403.

*BASED ON THE FOREGOING* and in lieu of further proceedings under 21 NCAC Chapter 8C, the Board and Respondent agree to the following Order:

1. The Certified Public Accountant certificate issued to Respondent, James Robert Moody, is hereby permanently revoked.

*NOTE: To obtain copies of the Attachments referenced in this Consent Order, please contact Robert N. Brooks, the Board's Executive Director, at (919) 733-4222.*

## IRS Practitioner Hotline

The Internal Revenue Service (IRS) has launched a nationwide telephone hotline that replaces the local practitioner hotline services that have been available in the past.

The new toll-free service, called Practitioner Priority Service, will be staffed by IRS personnel who are trained to handle practitioner's account-related questions.

The telephone number for the nationwide service is 1-866-860-4259.

## Exam from front

and readiness to practice in the accounting profession at the entry-level.

The development of models for these simulations is currently underway, and the American Institute of CPAs (AICPA) is now looking forward to a production schedule that will result in a library of simulations for the computer-based CPA examination.

However, the AICPA needs the help of many CPAs to act as writers and/or reviewers in order to generate a suffi-

cient number of simulations for this examination.

If you are a CPA who supervises entry-level CPAs, is familiar with what is expected of entry-level CPAs, or can help the AICPA identify members of your firm who meet these criteria, please volunteer to become part of this important effort.

The AICPA need creative individuals willing to act as content experts in the areas of Accounting and Reporting; Auditing and Attestation; Taxation; and General Business Environment (including Information Technology).

Volunteers are sought for two different types of commitment. The first will write content for two well-defined simulations modeled on those already developed by content experts.

These simulations will be given to AICPA staff, who will in turn create two variations of each of the simulations. These variations will then be returned to the volunteer author for review and comment.

The estimated time commitment for this effort is eight - ten hours for writing and two - three hours for reviewing.

Volunteers will be asked to submit the two simulations by the end of April/early May 2002, and to review the variations by late May/early June 2002.

This process will be repeated again in the October/November/December 2002 time frame.

The second commitment involves the review and refinement of simulations developed by the writers.

Individuals participating in this activity will need to attend two 2-day review meetings with four other content experts during a twelve-month period.

The first meetings will be held in early July 2002 and the second meetings will be held in January 2003.

Participants will receive approximately 24 simulations on computer disk to review before coming to the meetings.

The AICPA estimates that preparation for the meetings will require a commitment of around 20 hours.

All expenses associated with attending the two meetings will be reimbursed by the AICPA.

If you, or anyone you know, would like to volunteer, please contact Richard DeVore, Simulations Development Leader, AICPA Examinations, by telephone at (609) 671-2911 or via e-mail ([rdevore@aicpa.org](mailto:rdevore@aicpa.org)).

Please specify in which of the four content areas you or your suggested volunteers could best contribute and which of the two commitments you or they are willing to make.

Please include an e-mail address, office address, and daytime telephone number for each volunteer.

## Reclassifications

### Inactive

"Inactive," when used to refer to the status of a person, describes one who has requested inactive status and been approved by the Board and who does not use the title "certified public accountant" nor does he or she allow anyone to refer to him or her as a "certified public accountant" and neither he or she nor anyone else refers to him or her in any representation as described in 21 NCAC 8A .0308(b) [21 NCAC 8A .0301(b)(23)].

01/07/02	Deborah Wallace Johnson	Cornelius, NC
01/07/02	Samara J. Lindsey	Clemmons, NC
01/09/02	Steve Alan Joyce	Greensboro, NC
01/09/02	David Joseph Piscorik	Raleigh, NC
01/09/02	Shannon Taylor Williams	Garysburg, NC
01/10/02	Timothy Cooper Mooney	Savannah, GA
01/10/02	Jerry O. Denson	Weaverville, NC
01/14/02	Jennifer R. Bartholomew	Charlotte, NC
01/14/02	Katharine Sechler Phillips	Greensboro, NC
01/15/02	Carol Riggs Johnson	Goldsboro, NC
01/17/02	Joris Michel Jabouin	Ft. Lauderdale, FL
01/22/02	Donna Osborne Young	Charlotte, NC
01/22/02	Amie Nicole Fraley	Whispering Pines, NC
01/24/02	Claire Crepeau Hinspeter	Garner, NC
01/28/02	Jack Fuller MacMillan	Hickory, NC
01/28/02	Jody Ross Snyder	Roseburg, OR
01/28/02	Kimberly Grider Pittman	Wayne, PA
01/29/02	June Meadows	Mooresville, NC

### Retired

"Retired," when used to refer to the status of a person, describes one possessing a North Carolina certificate of qualification who verifies to the Board that the applicant does not receive or intend to receive in the future any earned compensation for current personal services in any job whatsoever and will not return to active status [21 NCAC 8A .0301(b)(23)].

01/22/02	Hubert Lee Blalock, Jr.	Winter Springs, FL
01/22/02	Loraine Barbour Murray	Raleigh, NC
01/22/02	Merral B. Neely	Sunanee, SC



# Reporting Convictions, Judgments, and Disciplinary Actions

Pursuant to North Carolina General Statute (NCGS) 93-12(9), the Board has established the *Rules of Professional Ethics and Conduct* which govern the ethical conduct of CPAs.

To ensure each CPA's compliance with those rules, all licensees are required to disclose certain information regarding their ethical conduct. This request for information is made pursuant to 21 North Carolina Administrative Code (NCAC) 8N .0208, "Reporting Convictions, Judgments, and Disciplinary Actions."

Pursuant to 21 NCAC 8N .0208, licensees must notify the Board within 30 days of any conviction, or finding of guilt of, or pleading *nolo contendere* to a felony; or any crime of which dishonesty, deceit, fraud, a violation of federal or state law or a violation of the *Rules of Professional Ethics and Conduct* are an essential element.

In addition, a licensee must notify the Board within 30 days of any judgment or settlement in a civil suit, bankruptcy action, administrative proceeding, or binding arbitration, the basis of which is grounded upon an allegation of gross negligence, dishonesty, fraud, misrepresentation, incompetence, or violation of any federal or state law and which was brought against either the licensee or a North Carolina office of a CPA firm of which the CPA was a managing partner.

The Board's requirement that licensees report any conviction, judgment, or disciplinary action is an integral part of the annual renewal process.

When completing the annual renewal form, a licensee must divulge if he or she has been charged, arrested, convicted, found guilty of, received a prayer for judgment continued, or pleaded *nolo contendere* to any criminal offense (excluding non-criminal traffic infractions) since the filing of his or her last renewal form.

The licensee is also required to indicate if he or she has had an application

for a certificate or license denied, or if a certificate or license has been suspended, canceled, or revoked by any federal or state agency or governing or licensing board since filing his or her last renewal. This includes agencies such as the North Carolina Department of Revenue, the Securities Division of the Office of Secretary of State, the IRS, NASD, SEC, etc.

In addition, each licensee must report if he or she had been investigated, charged, or disciplined or is currently under investigation by a governing or licensing board or by a federal or state agency.

Although the licensee or his or her attorney may feel that the criminal offense has no relevance to the licensee's CPA title or that the licensee did nothing to warrant the disciplinary investigation, all such matters must be reported to the Board.

Finally, a licensee must indicate if he or she has been party to any civil suit, bankruptcy action, administrative proceeding, or binding arbitration, the basis of which is grounded upon an allegation of negligence, dishonesty, fraud, misrepresentation or incompetence.

Again, regardless of the licensee's belief or the belief of his or her attorney that the litigation is inconsequential or frivolous, all such actions must be reported to the Board.

Failure to report a criminal offense, disciplinary action, or civil litigation to the Board within 30 days and on the annual renewal form, may result in disciplinary action by the Board. This disciplinary action may include revocation—either permanently or for a specified period of time—of the licensee's certificate issued by the Board; censure of the licensee; or assessment of a civil penalty.

If you have questions regarding your reporting responsibility, contact Robert N. Brooks, the Board's Executive Director, by telephone at (919) 733-4222 or via e-mail ([rnbrooks@bellsouth.net](mailto:rnbrooks@bellsouth.net)).

## GAO Issues New Independence Rules for Government Auditors

On January 25, 2002, David M. Walker, Comptroller General of the United States and head of the US General Accounting Office (GAO) announced that the GAO has made "significant changes" to auditor independence rules for federal entities and organizations receiving federal money.

According to a statement released by the GAO, "while the new standard deals with a range of auditor independence issues, the most significant change relates to the rules associated with non-audit or consulting services."

The new regulations are based on several overarching principles developed in the past three years, the GAO said. These discourage auditors from making management decisions, auditing their own work, or performing non-audit services in situations connected with the matter of an audit.

The regulations preclude anyone performing non-audit services from conducting related audits, and add a prohibition against auditors providing certain bookkeeping and record-keeping services.

The complete audit standard is available on the GAO's web site ([www.gao.gov/govaud/ybk01.htm](http://www.gao.gov/govaud/ybk01.htm)).

## Reclassifications

### Reinstatement

Larry Stephen Coffield #9676  
Richard Leroy Harris #12316  
Albert David Love #15348  
Kathryn A. Sommese #21993  
Brent Loring Styles #19544

[www.state.nc.us/cpabd](http://www.state.nc.us/cpabd)



## State Board of CPA Examiners

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